

2003-04

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Wang, J. & Wang, J.  
See Wang, J. & Wang, J.

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FILE No. **NF** 094/7 (Part )

TITLE: NAME Add To Egypt

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STUDY GROUP

## ADDITIONAL INFORMATION RELATED TO CONTENTS OF THIS FILE

LIFE FILE \_\_\_\_\_

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STAGE 20.4 FOR TABLE 20.4:  $\log_e$  (cost) vs. Year to Jerusalem

$$\text{Input } q_1, p_2$$

④  
to be  
cc. Research dept  
Robert O'Hara  
(in office)

LAST NAME

Dear Charles

NFE 0947  
 RECEIVED BY AIRMAIL MAY 10  
 - SJAN1978

SEARCHED	INDEXED	SERIALIZED	FILED
MA	MA	MA	MA
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(3)

2 So far as Kuwait is concerned, Sadat's visit to Israel

3 Provided Badat does not quickly come to a separate agreement

4 The replenishment of GOTT's resources would be a more



5 With regard to the figures in the Annex to Terry's letter, we have no points of substance. He will no doubt be aware of the current OPEC paper on "Arab Financial Flows to the Confrontation States" - indeed, his figures appear to come from the same source. On a point of detail, under the table in paragraph 4 of the annex, it is stated that "two other loans of \$250 million each" were made by GODE to Egypt. Our understanding is that there was only one such loan, strictly speaking, but that GODE also guaranteed \$250 million of market borrowing and thus fully committed its initial resources.

*Van m.*

*Midant.*

M St E Burton

cc: Chanceries: Cairo  
Jeddah  
Abu Dhabi  
Doha



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NFE 07417

19 DEC 1977

British Embassy  
CAIRO

5 December 1977

cc: Cabinet Office Mr. T. Jones  
cc: Cabinet Office Mr. C. Jones  
cc: Cabinet Office Mr. E. Jones  
cc: Cabinet Office Mr. G. Jones  
cc: Cabinet Office Mr. H. Jones  
cc: Cabinet Office Mr. I. Jones  
cc: Cabinet Office Mr. J. Jones  
cc: Cabinet Office Mr. K. Jones  
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cc: Cabinet Office Mr. U. Jones  
cc: Cabinet Office Mr. V. Jones  
cc: Cabinet Office Mr. W. Jones  
cc: Cabinet Office Mr. X. Jones  
cc: Cabinet Office Mr. Y. Jones  
cc: Cabinet Office Mr. Z. Jones

C D Powell Esq  
Near East and North Africa Department  
Foreign and Commonwealth Office  
LONDON SW1

*See Powell,*  
CODE FUND

1. One question which arises in connexion with the recent political developments following President Sadat's initiatives, is the effect upon the readiness of the rich Arab countries to continue their financial support to Egypt and the extent to which they may try to use the financial weapon to influence President Sadat.
2. So far as CODE is concerned, the American Embassy here has learnt through the Morgan Stanley Bank people who are administering the money that there has been no sign of any tendency to hold back money as a result of recent political developments. The Americans understand that it is now virtually agreed that of the outstanding \$625 million, \$100 million may be used for immediate balance of payments purposes and at least some of the rest may be used for commodity imports though the Saudis are insisting that these should be identified (and presumably related to specific development projects).
3. The Americans have no information so far about plans for re-financing the CODE fund when the original \$2 billion has been spent or committed. It looks, however, as if only Saudi Arabia, Kuwait and the UAE will be involved if there are further contributions, Qatar having already been excused from completing its full contribution to the original fund.

*Yours sincerely*  
*P J S Moon*

P J S Moon

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Telephone 01-

NFE 094/7	
- 2 DEC 1977	
INDEX	FILE
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(2)

D R B Blatherwick Esq OBE  
CAIRO

Your reference

Our reference

Date 2 December 1977

#### ARAB AID TO EGYPT

1. At a recent office meeting (an innovation since you left) we talked around the Sadat visit to Jerusalem. We thought it would be useful, not just as an intellectual exercise though admittedly to cover a remote contingency, to try to establish what exactly the Egyptians would lose in terms of aid from the Arab states if they were in fact to try to go for a separate peace with Israel.

2. I attach a first effort. You will see from paragraph 4 that the possible effects are very wide. We have not tried to balance the loss in Arab aid flows against the savings in total Egyptian defence expenditure, not least because one is paid in hard currency while the other is saved in Egyptian pounds.

3. The attached minute does not refer to recent OECD estimates that during 1978/80 Egypt will require some \$8-9 billion gross external capital, excluding that needed to repay the Soviet debt. Taking into account likely flows of supplier credit, private investment and finance from the IMF and the World Bank, Egypt is likely to require some \$4-5 billion during 1978/80. Borrowing from commercial sources will be negligible because of Egypt's low credit rating and the bulk of this capital will have to come from the Arab states and the United States.

4. It is difficult to see the US raising substantially their aid allocations to Egypt (already some \$1 billion per year). My feeling is that these sums add up to a dependence on the Gulf states which the Egyptians could not break without incalculable economic dislocation. I would be grateful for any comments you may have.

Now see: NFE 094/3 (78)

cc Chanceries:

JERUSA  
DOHA  
KUWAIT  
ABU DHABI

P J Torry  
Near East and North Africa Department

Blind copies to:

D Adams Esq, CABINET OFFICE  
ME

at the end of the 1977  
1. This covers the additional points you raised. The Kuwait figures were both significant.

ARAB AID TO EGYPT

1. Non-military Arab aid to Egypt has taken the form of grants, loans and deposits with the Central Bank of Egypt. Since 1975 it has amounted to:

Arab Non-Military Aid to Egypt

	1975	1976	1977
Saudi Arabia	\$ 1 billion	\$ 500 m	\$ 250 m
Kuwait	\$ 1 billion	\$ 300 m	\$ 450 m
UAE	\$ 300 m	\$ 350 m	\$ 250 m
Qatar	\$ 80 m	\$ 80 m	Nil
A	\$ 2,380 m	\$ 1,230 m	\$ 950 m
of which:			
Grants	\$ 1 billion	\$ 635 m	n.a.
Loans and deposits	\$ 1.5 billion	\$ 470 m	n.a.
B	\$ 2,500 m	\$ 1,105 m	\$ 950 m

(A should equal B: but these figures are approximate.)

In 1977, and separately from the above, the CODE states (Saudi, UAE, Kuwait and Qatar) provided a \$1.5 billion loan and two other loans of \$250 m each. The total original CODE capital has therefore been committed. The CODE states have agreed to put up a further \$2 billion of project assistance. In 1977 Saudi Arabia and Kuwait also agreed to roll over their \$2 billion of deposits held with the Central Bank of Egypt.

2. Arab military aid to Egypt includes a once-and-for-all aid payment in 1973 of \$2.5 billion. Since then aid has gone to pay the foreign exchange costs of new equipment for the Egyptian Armed Forces. MOD estimate that all contracts placed for defence equipment since 1973 have been underwritten by the Gulf States, mainly Saudi Arabia. The total amounts to some \$2 billion, of which \$600 m has been contracted for in 1977. The AOI projects (worth about \$1 billion) have also been underwritten. Pledges by the Arabs for military aid are as follows:

Arab Military Aid to Egypt

	1973	1974	1975	1976	1977
Algeria	100	-	-	-	-
Iraq	-	-	50	50	-
Kuwait	100	150	330	200	-
Libya	50	-	-	-	-
Qatar	70	-	60	-	60



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Military Aid to Egypt (cont)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Saudi	2,350	490	260	210	170
UAE	50	-	130	-	-

\$2,720 m \$640 m \$830 m \$460 m \$230 m

(includes Rbat, War Aid, and Khartoum Agreement).

3. The local currency costs of the Armed Forces are met by the Egyptians. The World Bank estimate Budget allocations for defence spending in 1977 at about \$1 billion. Budget estimates for Government expenditure in 1977 were about \$3.5 billion. Defence expenditure was thus about 30% of total Government expenditure.

4. If Arab aid were to be withdrawn from Egypt, the effects could include:

- i. withdrawal of guarantees to contracts for military equipment signed this year \$ 600 m
  - ii. cancellation of all future military aid  $\pm$  \$ 200 m pa  
(assuming current rate of disbursement continues in the future)
  - \*iii. withdrawal of loans and deposits with Central Bank of Egypt (including GODE loan)  $\pm$  \$4,000 m
  - iv. cancellation of all future non-military aid (assuming current rate of disbursement continues in future)  $\pm$  \$ 950 m pa
  - v. cancellation of promised GODE loan \$2,000 m
  - vi. possible cancellation of AOI projects \$1,000 m
- Maximum possible immediate loss to Egypt (i,iii,v,vi)  $\pm$  \$7,600 m
- Annual future losses (ii,iv)  $\pm$  \$1,150 m

The loss of Arab <sup>financial</sup> ~~permanent~~ support would also mean that Egypt would suffer a severe blow to her credit worthiness in the West for both future civil and military projects.

P J Torry  
NEMAD

1 December 1977

\*Most Arab loans to Egypt are for a minimum of 10 years. The